**LIMITATIONS OF MARKET SEGMENTATION**

**MARKET SEGMENTATION**

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

Segmentation refers to the process of creating small segments within a broad market to select the right target market for various brands.... A market segment consists of individuals who have similar choices, interests and preferences. They generally think on the same lines and are inclined towards similar products

**Limitations of Market Segmentation**

Before we look at limitations, first let us look at some of the reasons for segmentation:

1. [Segmentation](http://en.wikipedia.org/wiki/Market_segmentation) helps a company to exploit its market better by selecting market niches (suitable segments) that are compatible with its resources
2. Segmentation helps in focusing strategies more sharply on [target groups](http://en.wikipedia.org/wiki/Target_audience)
3. Segmentation is more likely to result in instilling customer `loyalty’ since the firm’s offering is better matched to those in the segment.

Segmentation also has its limitations as it needs to be implemented in the proper manner. As segmentation is one of the most important process in the marketing plan or for your business, you need to know what pitfalls lie ahead if you go wrong with your target market segment

**Small Segments**

The segment which is chosen should be of proper size, if one errs and the segment is too small then you won’t have the desired turnover which will affect the margins and feasibility of the business.

**Cost to Business**

Segmentation goes against the old school of business, to produce products on large scale to achieve [economies of scale](http://en.wikipedia.org/wiki/Economies_of_scale) i.e. cheaper products in larger quantities. In segmentation as we are segmenting the market into smaller groups and the products are also produced in smaller quantities to cater to these groups, there is a risk of cost of production going up.

**Proper Study**

One needs to interpret the study results correctly before interpreting, just because a consumer wants a new soap, does not mean we launch a new soap. One needs to study the market for existing brands of soap first. Getting into a segment already saturated will mean higher costs and lesser profit margins.

**Dependence**

Segmentation increases the dependence of business on a small group of consumers. A luxury car manufacturer depends on wealthy buyers who are comfortable with spending more on a car than it costs to purchase a basic vehicle.

There are some most common limitations market segmentation. Most common limitations of market segmentation include followings:

* Limited Production
* Expensive Production
* Expensive Marketing
* Difficulty in Distribution
* Heavy Investment
* Promotion Problems
* Stock and Storage Problems

1. **Limited Production:**

In each specific segment, customers are limited. So, it is not possible to produce products in mass scale for every segment. Therefore, company cannot take advantages of mass scale production; scale of economy is not possible. Product may be costly and affect adversely to the sales.

**2. Expensive Production:**

Market segmentation is expensive in both production and marketing. In order to satisfy different groups/segments of buyers, producers have to produce products of various models, colors, sizes, etc., that result into more production costs. In the same way, the producers are required to maintain large inventory for different styles, colors, and sizes of products.

3. **Expensive Marketing:**

Market segmentation also results into expensive marketing. Due to different groups of buyers, the marketer has to consider all the segments in terms of needs, interests, habits, preferences and attitudes. Marketer has to formulate and implement several marketing strategies for different segments.

4. **Difficulty in Distribution:**

Company needs to make the separate arrangement for each of the products demanded by different classes of customers. Salesman’s recruitments, selection, training, payments, and incentives are more difficult and costly. Company has to maintain separate channels and services for satisfying varied customer groups.

5. **Heavy Investment:**

Market segmentation leads to heavy investment. In order to satisfy different needs and wants of various groups, a company has to produce variety of product lines and product items. For the purpose, the company requires to invest more on technology and other inputs that may demand heavy investment.

**6. Promotion Problems:**

Market segmentation also creates promotional problems and multiplies promotional difficulties. It is obvious that different segments are made on the basis of distinguished characteristics of buyers. Each group differs in terms of advertising media, appeal or message. In order to influence various segments of buyers, the company is required to prepare a separate advertising programme or strategy. Similarly, personal selling and sales promotional activities become more complex. Company needs to spend more to take benefits of specialization.

7. **Stock and Storage Problems:**

To meet needs and wants of different consumer groups, the company must maintain adequate stock of various products on a continuous basis. This creates problem of stocks, storage, and working capital. Most limitations reflect the impact of situation and inability of manager to segment the market purposively and meaningfully. But, limitations cannot restrict segmentation philosophy and practice. These limitations can be overcome by segmenting market carefully and objectively.

**Limitations of the main market segmentation bases**

Geographic Segmentation

Demographic Segmentation

Psychographic segmentation

Behavioral Segmentation

Benefits Sought Segmentation

### **Geographic Segmentation Base Limitations**

* Assumes that consumers in a geographic area are similar, which is generally unlikely across a broad area
* Usually needs to be used in conjunction with another segmentation base

### **Demographic Segmentation Base Limitations**

* Descriptive only – little understanding of the consumer themselves
* Assumes that consumers in the same demographic group have similar needs and lifestyle – which is unlikely, all 30 year olds are unlikely that have the same needs.

### **Psychographic Segmentation Base Limitations**

* Requires market research – usually a mix of qualitative and quantitative – which can be expensive
* As a result of the research cost, probably more suitable for larger firms/brands
* Sometimes qualitative market research has a concern regarding the interpretation of the findings
* Psychographic segments may not be as easy to reach via promotional methods or to identify in-store

### **Benefits Sought Segmentation Base Limitations**

* Can be quite product focused – where products are concentrated on single needs
* The firm may end up with too many products, as a result
* Mainly considers current needs and benefits, rather than trends or future needs

### **Behavioral Segmentation Base Limitations**

* There is no consideration given to why consumers buy
* Relies upon detailed market intelligence – analysis of sales data